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Message Text

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44
ACTION NEA-10

INFO OCT-01 ISO-00 AGR-05 EB-07 COME-00 AID-05 OMB-01

CIEP-01 TRSE-00 CIAE-00 DODE-00 PM-03 H-01 INR-05

L-02 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 SWF-01 EA-06 /079 W
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R 271145Z NOV 74
FM AMEMBASSY COLOMBO
TO SECSTATE WASHDC 1916

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EO 11652: N/A
TAGS: PFOR, EAID, CE
SUBJ: SRI LANKA: 1975 WHEAT FLOUR SUPPLY GAP

REF: COLOMBO 3170

1. SUMMARY: FROM RECENT AUTHORITATIVE
INFO, IT APPEARS GSL INTENTION TO PURCHASE
100,000 TONS WHEAT FLOUR FROM AUSTRALIA IS CANCELLED
OR INDEFINITELY DELAYED. WITHOUT THHNTPURCHASE REVISED 1975
FLOUR PROJECTION IS 65,000 TONS SHORT OF REQUIREMENTS, EXCLUDING
CARRYOVER TO 1976. GSL DEFINITELY HOPES TO
COVER GAP FC M CONCESSIONAL SOURCES. END SUMMARY.

2. DURING LAST WEEK, WE HAVE CHECKED WITH EXTERNAL
RESOURCES DIRECTOR AUSTIN FERNANDO, FOOD COMMISSIONER (FC)
AND AUSTRALIAN HIGH COMMISSION (HC) ON STATUS PROPOSED
100,000 TON WHEAT FLOUR PUJUHASE FROM AUSTRALIA. ACCORDING
FERNANDO, WHO LED GSL DELEGJMION TO CANBERRA TO BUY
100,000 TONS EHAT FOR MILLING IN SRIH ANKA, FLUR
PURCHASE IS DEAD BECAUSE APATRALIAN HIGH-PROTEIN FLOUR
IS TOO EXPENSIVE AND AUSTRALIANS UNLIKELY EXTEND
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ACCEPTABLE CREDIT TERM.

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3. FC TOLD CHARGE AUSTRALIAN PURCHASE WAS STILL UNDER
CONSIDERATION BUT CREDIT TERMS WERE KEY. IN LATER MORE DETAILED
UPDATE OF 1975 FLOUR OUTLOOK, FC TOLD EMBOFF FURTHER
NEGOTIATIONS, IF ANY, WOULD NOT TAKE
PLACE UNTIL FEBRUARY WHEN GSL MIGHT SEND
PURCHASE MISSION TO AUSTRALIA. FC SAID CREDIT TERMS
EQUAL TO FRENCH WOULD BE NECESSARY AND THAT PURCHASE, IF ANY,
MIGHT BE FOR LESSER QUANTITY. IMPLICATION IS THAT
WITH FRENCH PURCHASE MADE, GS
GWILL DO ALL POSSIBLE TO
MINIMIZE FURTHER COMMERCIAL FOOD BUYING.

4.AUSTRALIAN HC NOT FULLY INFORMED SINCE GSL DEALS
DIRECTLY WITH AUSTRALIAN WHEAT BOARD. HC STILL BELIEVES
PURHCASE REQUEST AND CREDIT CONSIDERATION LIVE BUT
EXTENSIVE FUROZER NEGOTIATIONS, PERHAPS FOR LESSER
AMOUNT, WOULD BE NECESSARY.

5. PRESS AND FC HAVE FILLED IN INFORMATION ON
FRENCH PURCHASE, WHICH IS FOR 165,000 TONS AT US $367
PER TON. TERMS ARE TWO YEARS, ONE-FOURTH DOWN, ONE -
FOURTH EVERY SIX MONTHS; INTEREST INFO NOT
AVAILABLE BUT PRESUMABLY PREVAILING COMMERCIAL RATE.
SELLING FIRM IS SAME THAT ARRANGED LAST YEAR'S
90,000 TON PURCHASE, COMPAGNIE FRANCAISE COMMERCIALE
ET FINANCIERE, PARIS.

6. WE BELIEVE IT SAFE TO ASSUME AUSTRALIAN PURCHASE
WILL NOT HAPPEN OR WILL BE MADE ONLY IF CONCESSIONAL/
GRANT OR ASSURED TWO-YEAR CREDIT SOURCES CANNOT
COVER SHORTFALL WHICH NOW APPEARS AS FOLLOWS:
TU
JAN 1, 1975 STOCK: 70,000

GIFTS (NOW INCLUDES 13,000 TON EEC CONTRIBUTION UNDER
MOST SEVERELY AFFECTED PROGRAM) 50,000

FRENCH PURCHASE: 165,000

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MILLED FLOUR FROM AUSTRALIAN WHEAT: 70,000

TOTAL FLOUR AVAILABLE: 355,000

TOTAL REQUIREMENT: 420,000

PROJECTED GAP: 65,000

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PROJECTED GAP DOES NOT REPEAT NOT INCLUDE ANY
PROVISION WHATSOEVER FOR DEC 31, 1975 CARRY-
OVER TO 1976.

7. IN CONVERSATIONS WITH CHARGE AND EMBOFF, FERNANDO,
F.C.,
AND RECENTLY FIMCNCE MINISTRY SECRETARY C.A. COOREYDNTHAVE STRESSED G
SL NEED AND EXPECTATION OF
PL 480 WHEAT FLOUR. WITH 1975 FOREIGN EXCHANGE
OUTLOOK WORSENING (SEE SEPTELS ON BUDGET), WE
BELIEVE GSL NOW MERITS HIGHEST PRIORITY FOR THIRD
QUARTER PL 480, TITLE I ALLOCATION IN ACCORDANCE WITH
PLEDGE GIVEN AT MJM 1974 PARIS AID GROUP MEETING.
BYRNE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOOD SHORTAGE, POLICIES, FLOUR
Control Number: n/a
Copy: SINGLE
Draft Date: 27 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974COLOMB03312
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740344-1048
From: COLOMBO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974119/aaaaagyg.tel
Line Count: 129
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: COLOMBO 3170
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 07 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 MAY 2002 by cunninfx>; APPROVED <17 MAR 2003 by boyleja>
Review Markings:

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EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SRI LANKA: 1975 WHEAT FLOUR SUPPLY GAP
TAGS: PFOR, EAID, CE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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